HOUSING MARKET INFORMATION

HOUSING MARKET OUTLOOK
Hamilton and Brantford CMAs

CANADA MORTGAGE AND HOUSING CORPORATION

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Table of Contents

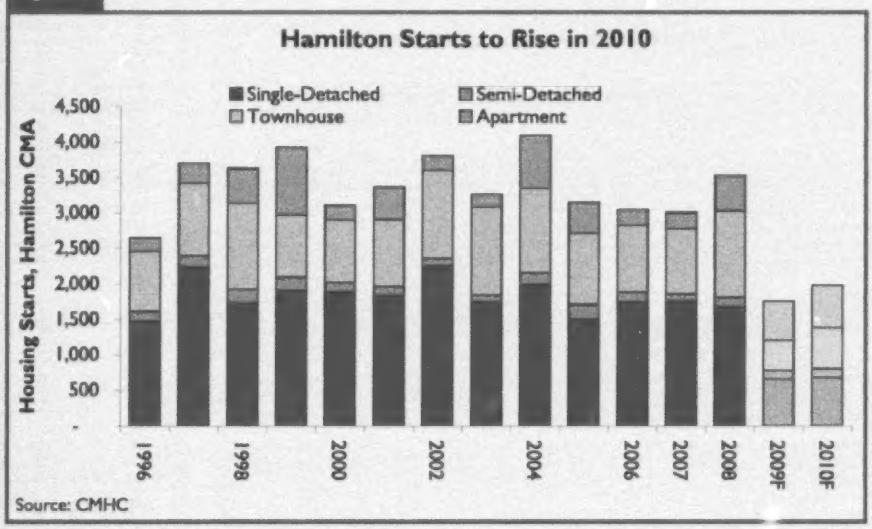
1 New Home Market
2 Resale Market
3 Economic Trends
6 Forecast Summary

New Home Market

New Home Starts to Recover in 2010

In 2010, new home building activity is expected to pick up in step with the recovering economy. New home starts are forecast to rise 13 per cent next year to 1,975 starts. However, the housing landscape will change with a smaller proportion of single-detached starts forecast in the coming years. In their place will be more high-rise developments, and other smaller, low rise units such as condo and freehold townhouses. The trend toward smaller homes is already evident, and is consistent with demographic data which suggests family sizes and households are expected to continue to shrink. Currently, less than half of

Figure 1



[1] The forecasts included in this document are based on information available as of October 1, 2009.

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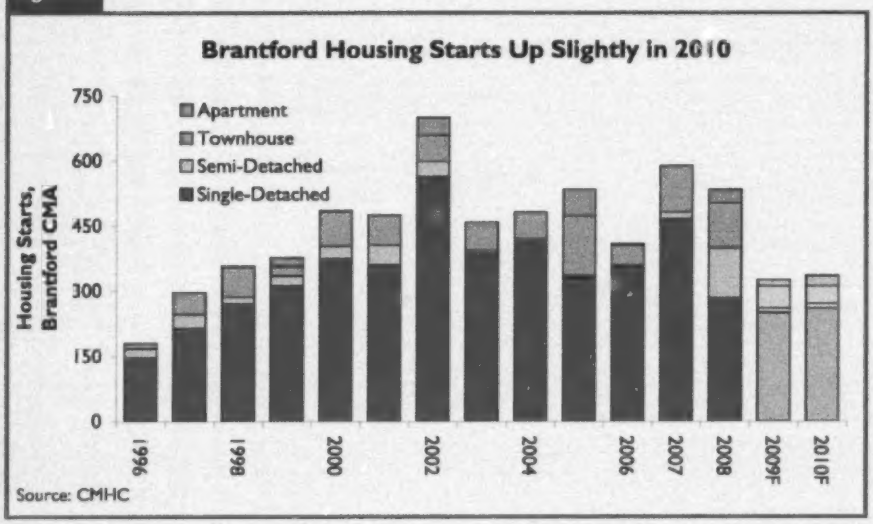
Figure 2



the new homes started are single-detached homes, and this is a trend that will become more significant in the foreseeable future Also, land availability for single-detached home building is diminishing in some areas and thus, construction which uses land more intensely is anticipated. For example, infill building is expected to increase in some of the older neighbourhoods such as the Mountain, where some school zones are already being re-designated for residential building. Many of the children from this area have grown up and moved out of the area, and the low fertility rate has meant that fewer schools will be needed. On the other hand, in areas where new subdivisions are still being created, such as Ancaster and Glanbrook, schools and other infrastructure are still necessary to service the neighbourhoods.

The diminishing level of units under construction suggests that builders have been working to complete current projects this year to reduce inventory. Therefore, starts levels in 2010 will reflect market demand for new homes since they will not be greatly impacted by the need to sell completed units.

In Brantford, new home starts were down by a quarter as of the end of the third quarter of 2009. Starts fell behind in nearly all home types, especially during the second quarter. A modest recovery is expected for 2010, with starts rising 3 per cent. Single-detached homes are the primary home type built in Brantford and will continue to be a significant part of the new home market in the future.

Resale Market

Rapid Recovery in Resale Market

Total sales for the year are forecast to fall by just 2.6 per cent to 11,800 sales. Once again, the resale market in Hamilton continued to outperform most other markets in Ontario this year. Although weak employment numbers did impact sales during the first few months of the year, sales of existing homes picked up rapidly.

Low mortgage rates and a modest rise in household incomes helped to sustain and improve affordability in Hamilton this year. While the average price of an existing home continued to rise to unprecedented levels, the cost of carrying a mortgage in Hamilton was manageable and similar conditions are expected for next year. In 2010, the average required income to carry a mortgage for a home priced at the forecast average of $302,000 is $52,000. Actual average incomes for both owner and renter household

Figure 3

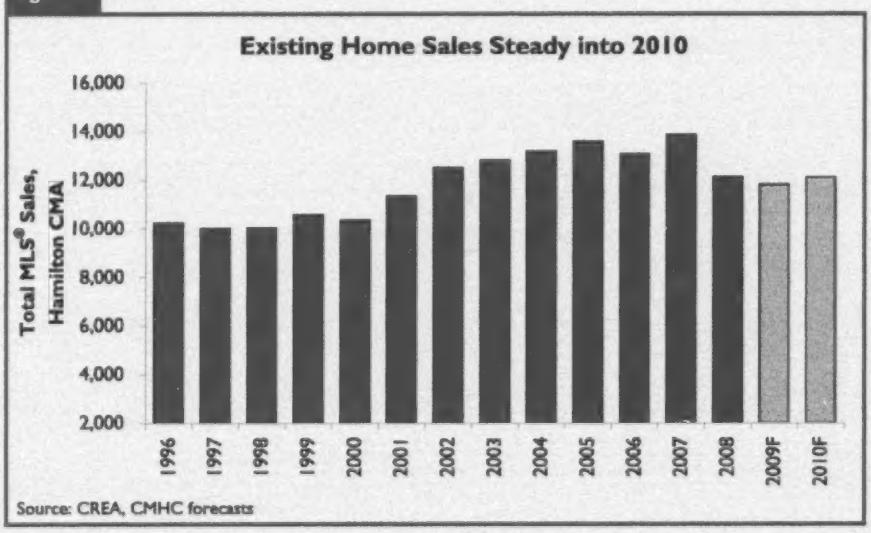
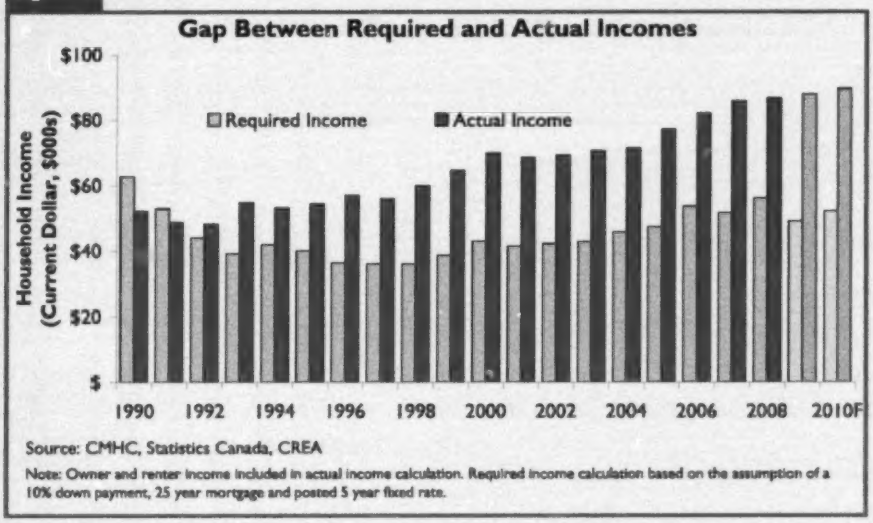


Figure 4



Source: CMHC, Statistics Canada, CREA

Note: Owner and renter income included in actual income calculation. Required income calculation based on the assumption of a 10% down payment, 25 year mortgage and posted 5 year fixed rate.

combined is forecast to rise by 1.9 per cent to $89,500. At this pace, actual incomes are able to more than offset the required income to own a home in Hamilton.

While affordability is one indicator supporting additional sales next year, it is expected that the market will move at a more moderate pace, considering that a number of next year's would-be buyers entered the ownership market ahead of schedule this year. Low mortgage rates this year and consumer expectations of rising prices prompted many to purchase a home earlier than expected. However, more job security in 2010 will prompt another wave of first time buyers to enter the ownership market. MLS® sales are forecast to rise 2.5 per cent to just over 12,000 sales next year. Homes in the Mountain and Burlington are expected to capture a larger proportion of the total sales, but overall resale market activity measured by the number of homes sold versus the number of listings, will continue to be high. Most households looking to sell their home will be successful through 2010.

Listings are also expected to be pulled ahead as homeowners take advantage of the appreciation in home prices during the latter part of 2009. Retiring households and the boomer generation will be amongst the sellers this year looking to put their homes on the market. In 2010, the average price for the CMA is expected to rise by four per cent to $302,000.

There are a number of factors impacting the forecast price for next year and the scale of the price increase will vary by submarket. While prices will continue to be pulled upwards in the $450,000-$475,000 range for detached homes in Burlington and Ancaster and well over $500,000 in Flamborough where custom-built detached homes are more prominent, average prices will remain below $200,000 in the central and east sides of the former City of Hamilton. Also, growth in new home starts of townhouses and condominium apartments in recent years means that there will be more supply of these lower-priced homes in the resale market. Thus, the composition of home types sold will have some impact on the price growth for total resale homes.

Sales of existing homes in Brantford fell 18 per cent during the first eight months of 2009 and are forecast to fall 14 per cent for the year to 1,800 sales. In 2010, sales will continue to be impacted by a sluggish economic recovery and fall 8 per cent. Weak employment figures in Brantford indicate that it may take some time for home buying activity to pick up. The average price is forecast to rise modestly by 2.3 per cent in 2010 to $220,000.

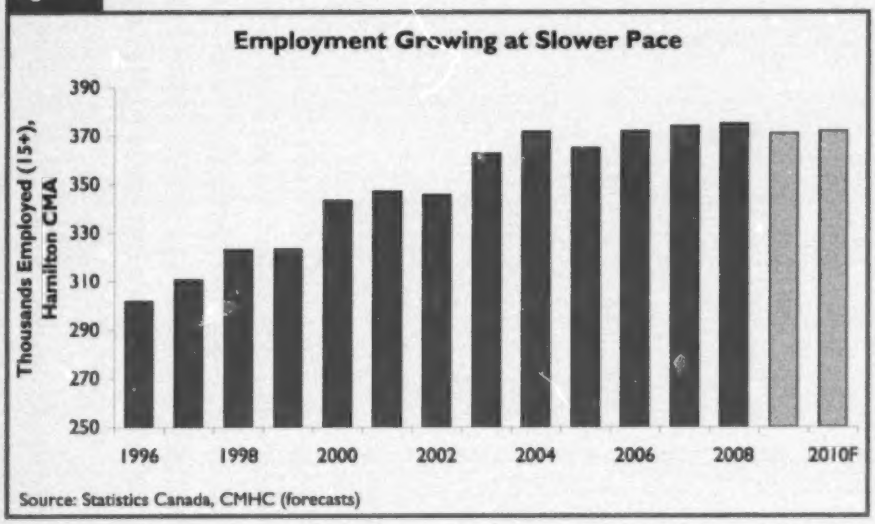
Economic Trends

Unemployment Rate to Fall in 2010

In 2009, economic conditions in Hamilton had an impact on the housing market, particularly for new homes. However, while growth was declining in manufacturing, jobs in the service-producing sector remained at a high level. This sector - which includes a range of industries such as finance and insurance, real estate, education, and health care and social assistance services - currently accounts for over three-quarters of all jobs in Hamilton, and has risen gradually over the past two decades. Jobs in scientific fields such as biotechnology, and health care services are expected to drive economic growth forward.

As the economy recovers through 2010, job growth will increase and the unemployment rate will decrease to 7.9 per cent. Average weekly earnings

Figure 5



this year continued to rise in line with the rate of inflation at 1.5 per cent and are expected to climb in accordance with the improvement in the economy to 1.9 per cent in 2010.

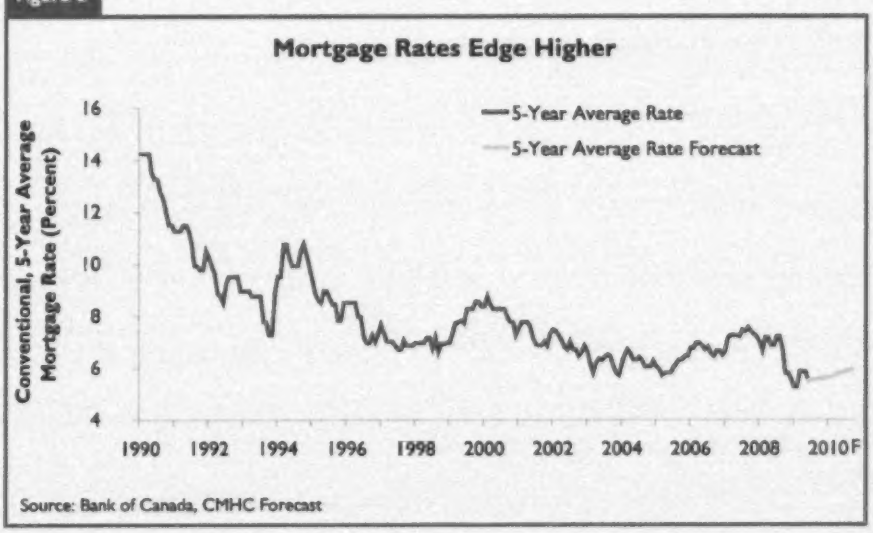
The unemployment rate in Brantford rose above 13 per cent this year. Employment in Brantford is concentrated in the manufacturing sector and lower global demand for consumer products this year has curbed production at local plants. In a smaller centre such as Brantford, unemployment tends to have a bigger ripple effect on the overall economy. The economic recovery in 2010 is expected to be slow, though some improvement in employment is forecast to bring the unemployment rate down to 11.5 per cent.

Mortgage Rate Outlook

The Bank of Canada cut the Target for the Overnight Rate in the early months of 2009. The rate was 1.50 per cent at the start of 2009 and has since fallen to 0.25 per cent. The Bank has committed to keeping this rate at 0.25 per cent through the middle of 2010 unless inflationary pressures warrant an increase.

Mortgage rates have fallen over the course of 2009, but are now expected to remain relatively stable for the rest of the year. Posted mortgage rates will gradually increase through 2010, but will do so at a slow pace. For 2010, the one-year posted mortgage rate will be in the 3.50-4.25 per cent range, while three and five-year posted mortgage rates are forecast to be in the 4.50-6.00 per cent range.

Figure 6



Forecast SUMMARY
Hamilton CMA
Fall 2009

	2006	2007	2008	2009f	% chg	2010f	% chg
Resale Market							
MLS® Sales	13,059	13,866	12,110	11,800	-2.6	12,100	2.5
MLS® New Listings	18,414	18,988	19,711	19,200	-2.6	19,600	2.1
MLS® Average Price ($)	248,754	268,857	280,790	290,000	3.3	302,000	4.1
New Home Market							
Starts:							
Single-Detached	1,741	1,761	1,675	650	-61.2	675	3.8
Multiples	1,302	1,243	1,854	1,445	-22.1	1,475	2.1
Semi-Detached	138	94	132	45	-65.9	50	11.1
Row/Townhouse	948	922	1,224	975	-20.3	1,000	2.6
Apartments	216	227	498	425	-14.7	425	0.0
Starts - Total	3,043	3,004	3,529	1,750	-50.4	1,975	12.9
Average Price ($):							
Single-Detached	392,305	365,357	404,532	400,000	-1.1	422,000	5.5
New Housing Price Index (% chg.)	5.5	4.5	3.1	-3.8	-	-2.0	-
Rental Market							
October Vacancy Rate (%)	4.3	3.5	3.2	3.4	0.2	3.5	0.1
Two-bedroom Average Rent (October) ($)	796	824	836	850	-	865	-
Economic Overview							
Mortgage Rate (1 year) (%)	6.28	6.90	6.70	4.03	-2.67	3.83	-0.20
Mortgage Rate (5 year) (%)	6.66	7.07	7.06	5.55	-1.51	5.75	0.20
Annual Employment Level	371,900	374,000	375,000	371,000	-1.1	372,000	0.3
Employment Growth (%)	1.8	0.6	0.1	-2.4	-	0.1	-
Unemployment rate (%)	5.9	6.0	6.2	8.4	-	7.9	-
Net Migration [1]	3,441	3,962	3,800	3,700	-2.6	3,850	4.1

MLS® is a registered trademark of the Canadian Real Estate Association (CREA).

Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)

NOTE: Rental universe = Privately initiated rental apartment structures of three units and over

(1) 2007 migration data is forecasted

Forecast SUMMARY
Brantford CMA
Fall 2009

	2006	2007	2008	2009f	% chg	2010f	% chg
Resale Market							
MLS® Sales	2,139	2,305	2,097	1,800	-14.2	1,650	-8.3
MLS® New Listings	3,287	3,451	3,668	3,600	-1.9	3,675	2.1
MLS® Average Price ($)	198,716	209,151	218,890	215,000	-1.8	220,000	2.3
New Home Market							
Starts:							
Single-Detached	357	466	283	250	-11.7	260	4.0
Multiples	52	123	149	85	-43.0	105	23.5
Semi-Detached	2	16	4	5	25.0	5	0.0
Row/Townhouse	47	107	116	65	-44.0	80	23.1
Apartments	3	0	29	15	-48.3	20	33.3
Starts - Total	409	589	432	325	-24.8	335	3.1
Average Price ($):							
Single-Detached	190,810	222,900	253,849	240,000	-5.5	252,000	5.0
New Housing Price Index (% chg.) (Ont.)	3.7	2.6	3.5	n/a	-	n/a	-
Rental Market							
October Vacancy Rate (%)	2.3	2.9	2.4	2.2	-0.2	2.0	-0.2
Two-bedroom Average Rent (October) ($)	712	749	752	760	-	770	-
Economic Overview							
Mortgage Rate (1 year) (%)	6.28	6.90	6.70	4.03	-2.67	3.83	-0.20
Mortgage Rate (5 year) (%)	6.66	7.07	7.06	5.55	-1.51	5.75	0.20
Annual Employment Level	50,600	51,100	51,800	50,600	-2.3	50,000	-1.2
Employment Growth (%)	2.0	1.0	1.4	-2.3	-	-1.2	-
Unemployment rate (%)	6.3	6.2	6.3	9.2	-	9.1	-
Net Migration (Ont.) [1]	83,561	85,809	87,805	88,600	0.9	95,000	7.2

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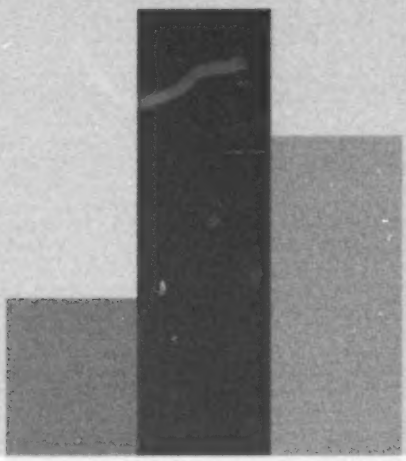

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